GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2059
ANSWERED ON:11.08.2006
INDO MAURITIUS DTAT
Chakrabortty Shri Swadesh

Will the Minister of FINANCE be pleased to state:

(a) the details of terms and conditions of the existing Indo-Mauritius Double Taxation Avoidance Treaty (DTAT) agreement ;

(b) whether the Government plans to review the Treaty with Mauritius ;

(c) if so, the details thereof; and

(d) if not, the reasons therefor ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (REVENUE) (SHRI S.S.PALANIMANICKAM)

(a) The Double Taxation Avoidance Convention (DTAC) aims at eliminating double taxation of the same income in both Mauritius and India. The salient provisions of the DTAC are :-

(i) Article 7 - The business profits of an enterprise of one state are taxable in the other state only if it has a Permanent Establishment in the other state.

(ii) Article 10 and Article 12 -The withholding tax rates in the state of source for Dividends and Royalties are as follows: -

(a) 5 % of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 10 % of the capital of the company paying the dividends, and 15 % of the gross amount of the dividends in all other cases,

(b) 15 % of the gross amount of the royalties

(iii) Article 13 - Capital Gains on alienation of immovable property are taxable where the property is situated. Capital Gains on sale of shares of a company are taxable in the country of residence of the investor.

(iv) Article 8- Profits from the operation of ships or aircraft in international traffic are taxable only in the state in which the place of effective management of the enterprise is located.

(v) Article 23- Elimination of Double Taxation is through the credit method. Credit for the tax paid on income in the state of source is to be given against the tax payable on such income in the state of residence,

(b) Various options are being considered and are under discussion with the Govt. of Mauritius.

(c) The Central Board of Direct Taxes in the Department of Revenue, Ministry of Finance has made consistent efforts over a period of time to revisit the India -Mauritius Double Taxation Avoidance Convention (DTAC).Government is discussing with the Government of Mauritius the possibilities of strengthening the mechanism for Exchange of Information on tax matters between India and Mauritius and also incorporate appropriate provisions in the DTAC for prevention of `treaty shopping.

(d) Does not arise in view of reply at (c)